

# **The system of National Accounts**

## **A general introduction**

Peter van de Ven



# A general introduction

1. Why national accounts?
2. Objectives
3. Contents
4. Main subsystems of national accounts
5. Macro-economic aggregates
6. Production cycle and revision of national accounts

# 1. Why national accounts?

## Relevance

- Monitoring the performance of an economy with a consistent set of indicators
- Basis for economic theory
- Model building
- Coherent policy formulation (and evaluation)

# 1. Why national accounts?

## Consistency and reliability

- National accounts is a system with identities (definitional equations)
- Checking data with the help of identities
  - transaction identity
  - budget identity
  - Balance sheet identity
- Complete description of the national economy



# 1. Why national accounts?

## Efficiency

- No overlaps/gaps in the statistical programme
- Reduce administrative burden of respondents
- Uniform concepts, definitions and accounting rules (SNA 1993 and ESA 1995)

# 1. Why national accounts?

## Definition

A comprehensive and systematic, quantitative description of economic phenomena in a country, related to a certain period of time

## 2. Objectives

- Give of an overall picture of an economy
- Compute summary indicators for measuring performance
- Provide data for monitoring and forecasting the effects of socio-economic policies
- Provide data within an analytical framework useful to economic theory
- Provide data for international comparison
- Provide data for administrative purposes



## 3. Contents

**Roughly, national accounts contain:**

**1. The circular flow of income in a closed system**

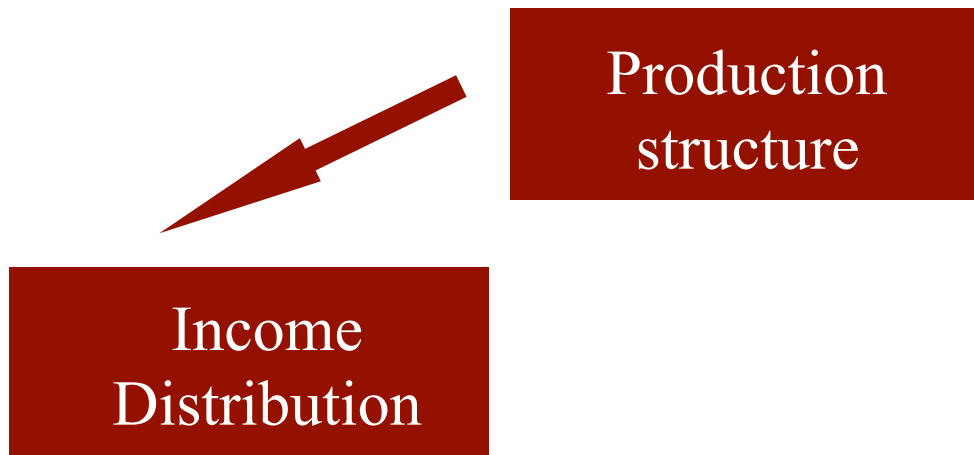




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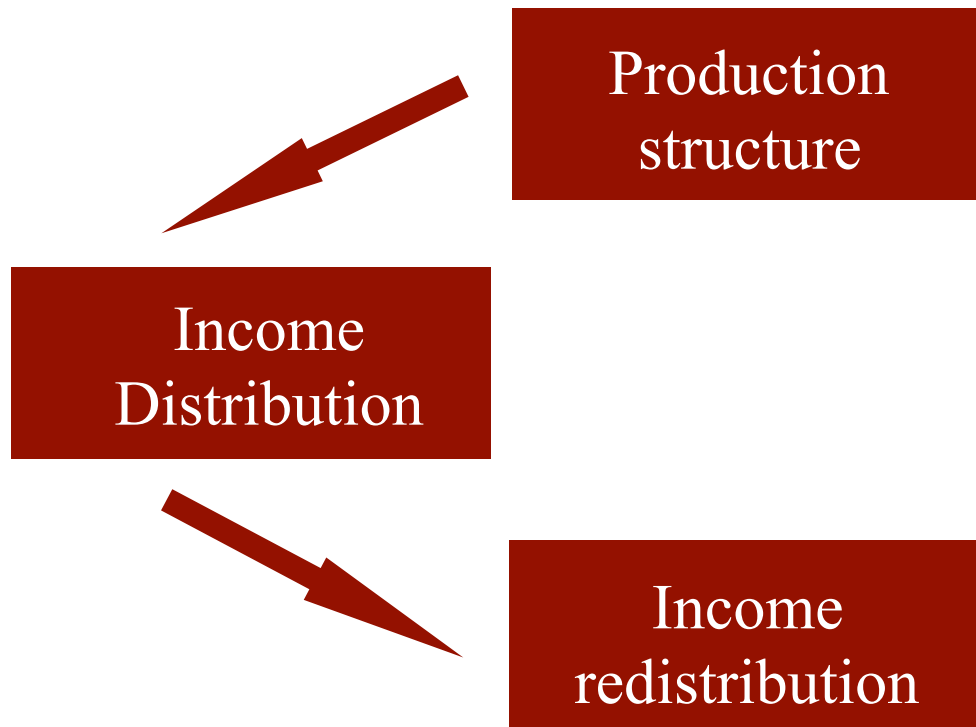
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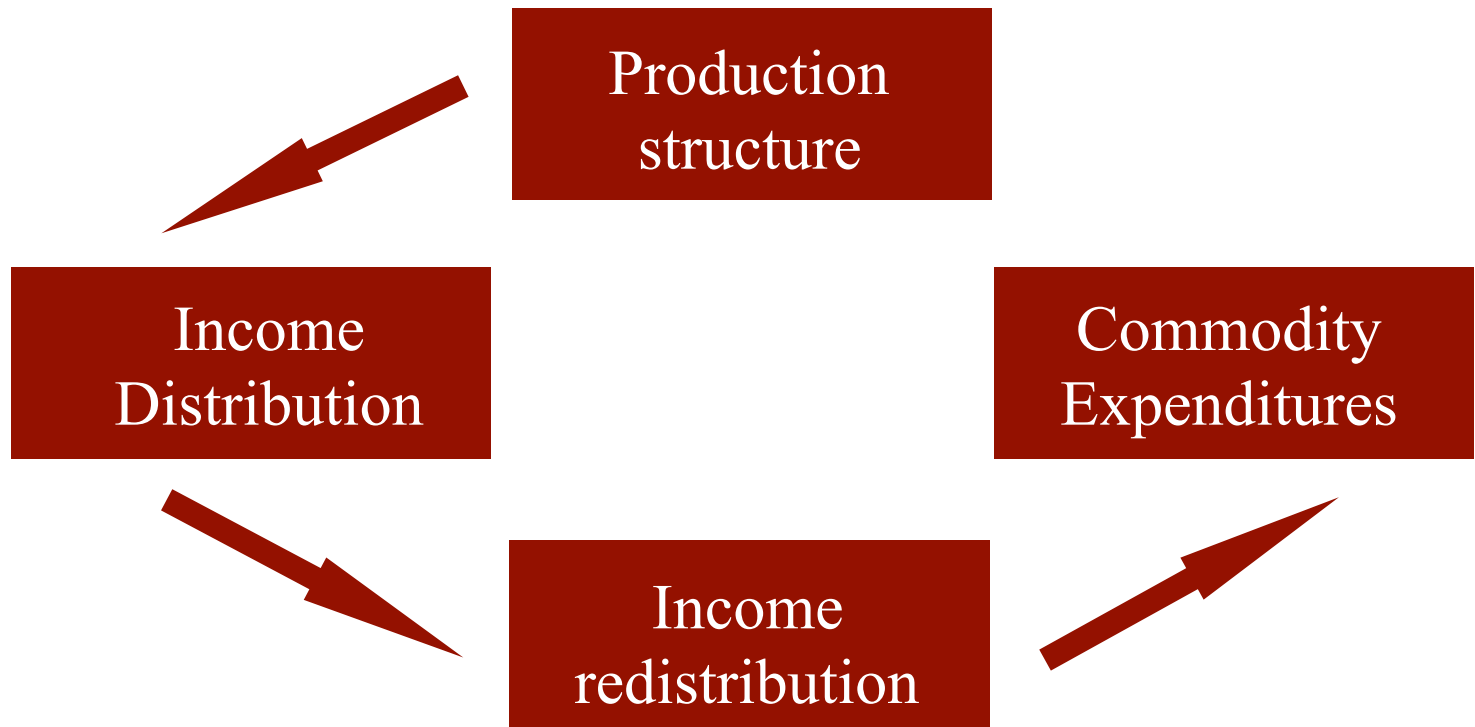
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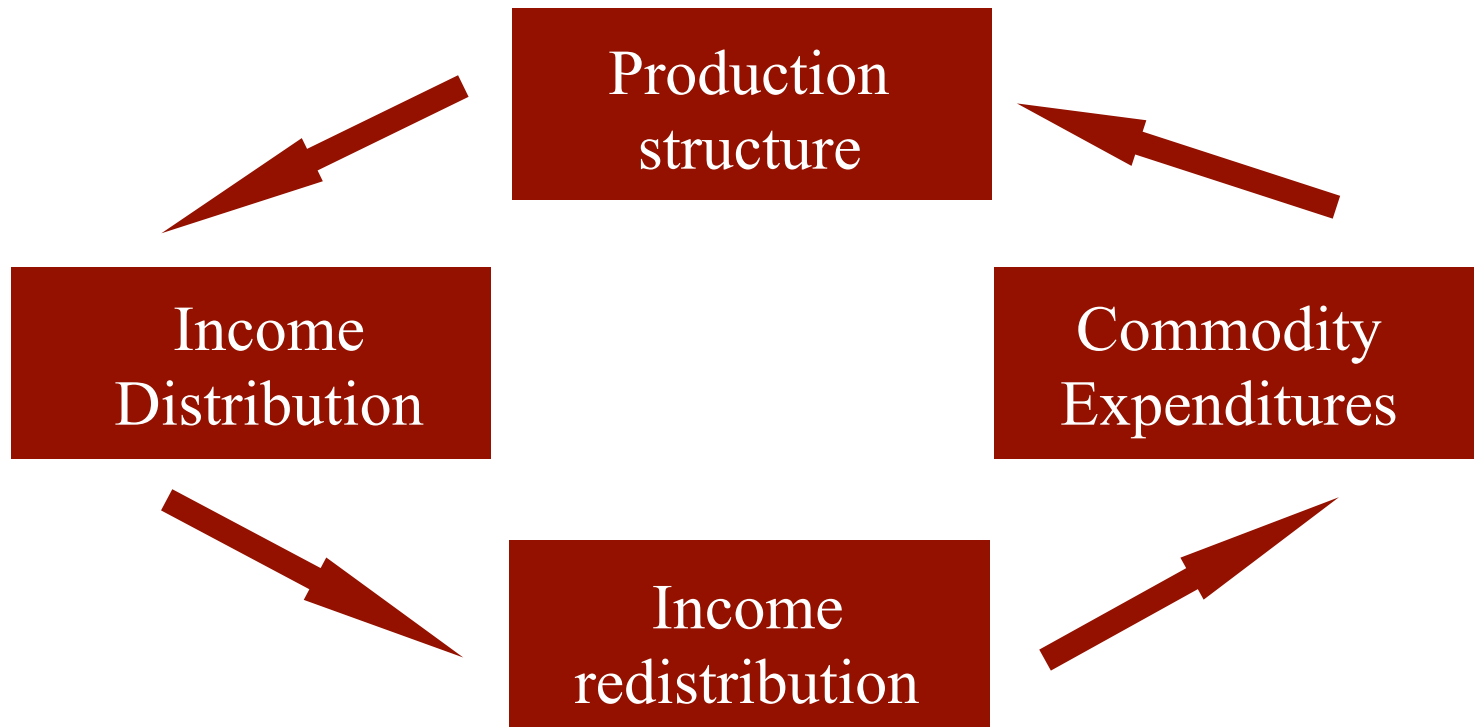
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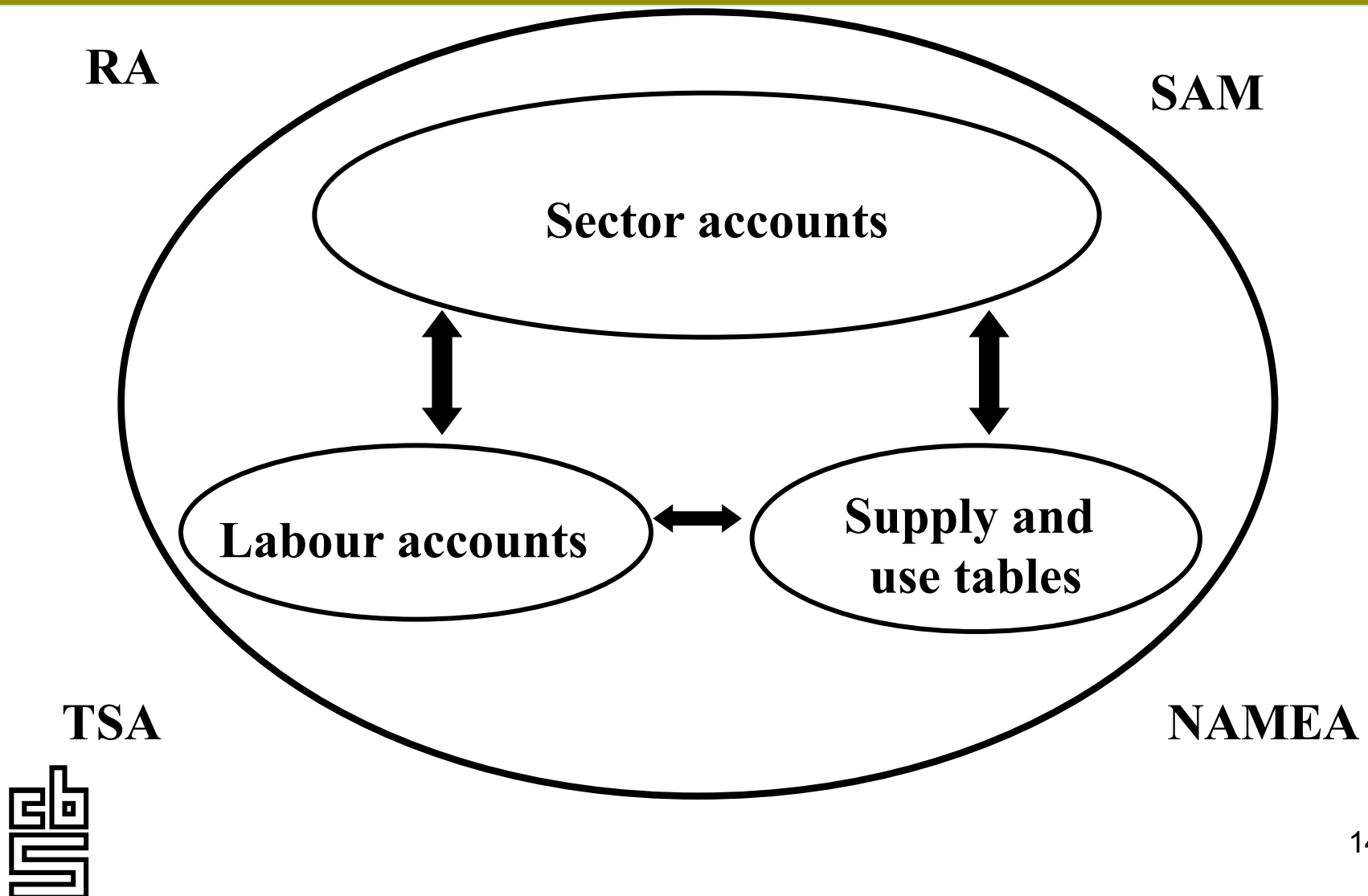


## 3. Contents

### **Roughly, national accounts contain:**

2. Exchanges with other systems:
  - other countries (imports, exports, transfers)
  - other periods (saving, investment, depreciation)
3. Flow of funds (financial accounts)
4. Other events (holding gains and losses)
5. Balance sheets

## 4. Main subsystems of national accounts



## 4. Main subsystems of national accounts

### Sector accounts

- Description of transactions (uses, resources) between institutional units
- Units classified in institutional sectors
- Transactions classified in accounts representing a specific economic process (e.g. production, income distribution, use of income, accumulation)
- Derivation of relevant balancing items (e.g. gross domestic product, net national income)



## 4. Main subsystems of national accounts

### Sector accounts

#### Institutional Sectors

- Non-financial Corporations
- Financial Corporations
- General Government
- Households
- Non-profit Institutions serving Households
- Rest of the World



## 4. Main subsystems of national accounts

### Sector accounts

0. Goods and services	
1. Production	Gross domestic product
2. Primary distribution of income	National income
3. Secondary distribution of income	Disposable income
4. Use of income	Saving
5. Capital account	Net lending/borrowing
6. Financial account	Net lending/borrowing
7. Other changes in assets	Change in net worth...
8. Balance sheets	Net worth

	production account	
	income accounts	
	capital account	
Uses	financial account	Resources
transactions	transactions	
balancing item		
	total	total



## 4. Main subsystems of national accounts

### Supply and use tables

- Detailed description of production process
- Description of supply and use of goods and services
- Supply table: row gives supply of specific product groups
- Supply table: column gives production by industry
- Use table: row gives destination of specific product group
- Use table: column gives use of products in production process and resulting value added by industry.



## 4. Main subsystems of national accounts

Supply matrix						
	agricult, manufa	trade, repair	govern- ment	services	import	total
food, beverages	1900				250	2150
machines	2600				400	3000
energy	750				350	1100
other manufacture	1250	500			700	2450
repair services		600			50	650
government services			750			750
other services			100	2300	150	2550
total	6500	1100	850	2300	1900	



## 4. Main subsystems of national accounts

Use matrix										
	agric., manuf	trade, repair	govern- ment	service	export	cons priv	cons gov	cap. form.	change invent.	total
food, beverages	500	50	20	50	650	900			-20	2150
machines	650	75		50	800	400		1100	-75	3000
energy	200	100	50	50	400	275			25	1100
other manufacture	550	25	50	150	450	925		300		2450
repair services	300	25	50		50	225				650
government services							750			750
other services	400	125	150	250	225	1350		50		2550
labour costs	2800	500	500	925						4725
operating surplus	1100	200	30	825						2155
total	6500	1100	850	2300	2575	4075	750	1450	-70	



## 4. Main subsystems of national accounts

### Labour accounts

- Integrated dataset on labour and wages
- Consistency with corresponding data in sector accounts and supply and use tables
- Examples: data on population and labour force, employment (hours worked, number of jobs, number of employees/self employed), compensation of employees

## 5. Major macro-economic aggregates

### 1. GROSS DOMESTIC PRODUCT (GDP)

=

output - intermediate consumption

=

compensation of employees +  
gross operating surplus +  
net taxes on production

=

final consumption expenditure +  
gross fixed capital formation +  
exports - imports

## 5. Major macro-economic aggregates

Thus also three methods for estimation:

1. Production approach
2. Income approach
3. Expenditure approach

1 and 3 combined in the Supply and Use Table



## 5. Major macro-economic aggregates

### 2. NET NATIONAL INCOME (NNI) =

gross domestic product (GDP)

- + primary income received from the rest of the world
- primary income paid to the rest of the world
- consumption of fixed capital

## 5. Major macro-economic aggregates

### 3. NET NATIONAL DISPOSABLE INCOME =

net national income (NNI)

- + current transfers received from the rest of the world
- current transfers paid to the rest of the world

## 5. Major macro-economic aggregates

### 4. NET NATIONAL SAVING =

net national disposable income

- final consumption expenditure

## 5. Major macro-economic aggregates

### 5. NET LENDING/BORROWING =

$$\begin{aligned} & \text{net national saving} \\ + & \text{capital transfers received from the ROW} \\ - & \text{capital transfers paid to the ROW} \\ - & \text{fixed capital formation, net} \end{aligned}$$

## 5. Major macro-economic aggregates

### 5-7. TOTAL CHANGES IN NET NATIONAL WORTH =

net national saving

- + capital transfers received from the ROW
- capital transfers paid to the ROW
- + net other volume changes in national assets and liabilities
- + net nominal holding gains of national assets and liabilities

## 5. Major macro-economic aggregates

### 8. NET NATIONAL WORTH =

national non-financial assets  
+ national financial assets  
- national financial liabilities

## 6. Production and revision of national accounts

### Production

#### Quarterly data

- Flash estimates (t+45 days)
- Regular estimates (t+90 days)
- Remark: quarterly data are always adjusted to new annual data

#### Annual data

- Provisional data (t+6 months)
- Improved provisional data (t+15 months)
- Final data (t+25 months)



## 6. Production and revision of national accounts

### Revision

- Comparability in time: growth rates versus level estimates

### Reasons

- Conceptual changes
- Link with (new) source statistics
- Problems with 'reconciliation' of the data
- Consistency between National Accounts subsystems

### Frequency

- Once every 5-10 years





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